

EDUCATION TAX CREDIT FAQ

How does the Qualified Education Expense Tax Credit work?

Because there are limited tax credits available each year (\$120 million for 2024), a taxpayer interested in contributing to Arete must be pre-approved by the Georgia Department of Revenue (“DOR”). By approving a request, the DOR sets aside a certain amount of the available tax credits specifically for the respective taxpayer. The taxpayer first submits a 2024 tax credit application to Arete Scholars. Each step in the 2024 process is outlined below:

1. Arete Scholars submits the taxpayer request for the 2024 tax credit to the DOR on the first business day of January 2024.
2. Taxpayer receives a DOR Approval Letter within 15 days after Arete Scholars submits the application. The letter indicates the approval amount and 60-day deadline for making payment to Arete.
3. Arete Scholars also receives notice of Taxpayer’s DOR approval and will email taxpayer detailed instructions regarding payment deadline and options.
4. When notified of DOR approval (by DOR Approval Letter or email from Arete Scholars), taxpayer must submit payment to Arete Scholars before his or her 60-day payment deadline.
5. Arete Scholars will send taxpayer Form IT-QEE-SSO1 (tax receipt) for claiming the credit on the 2024 Georgia income tax return.
6. Taxpayer Claims Georgia Income Tax Credit: When 2024 taxes are filed in 2025, taxpayer will take a 100% Georgia income tax credit.

Taxpayers should always consult with an accountant for tax guidelines and implications.

How does a tax credit differ from a deduction?

A tax credit is significantly more beneficial than a deduction. A 100% credit reduces your tax liability dollar-for-dollar while a deduction reduces the taxable income upon which taxes are calculated.

What is the maximum amount taxpayers can contribute in exchange for the Georgia education expense tax credit?

Various taxpayers may receive a 100 percent tax credit for their donations to Arete Scholars up to the annual limits below. There is \$120 million in total credits available each year. Tax credits in excess of tax liability are nonrefundable, but may be carried forward for up to five years in most cases.

- **C-corporations, S-corporations, LLCs, and partnerships that file with an EIN:**
75% of GA income tax liability.
- **S-corporations, LLCs, and partnerships that file with SSNs:** \$25,000.
- **Insurance companies:** 75 percent of Georgia insurance premium tax liability or \$1 million, whichever is less.
- **Individual taxpayers:** \$2,500
- **Joint filers:** \$5,000

Can a corporation contribute to Arete Scholars under the tax credit program?

Yes. Corporations can receive a tax credit for amounts contributed to Arete Scholars and many corporations have done so. For C-corporations, the tax credit is available up to 75% of annual Georgia income tax liability. Members of limited liability companies (LLCs), shareholders of S-corporations, and partners in partnerships are allowed a Georgia income tax credit for up to \$25,000 of the amount they contribute to a SSO, so long as they would have paid Georgia income tax in that amount on their share of taxable income.



Does a DOR approval require me to contribute (redirect) the full amount allowed?

While Arete encourages donors to fulfill their pledges so we can better plan and serve students, they are not legally obligated to donate the full amount for which they are preapproved for tax credits. Approved donors may contribute any amount up to the approved amount.

How do I calculate my Georgia income tax liability?

Your Georgia income tax liability is typically Georgia's marginal tax rate (4.99% for 2022) multiplied by your Adjusted Gross Income (AGI). If your income and deductions will not change much from the prior year, you can look at Line 16 of your Georgia income tax return (Form 500) and estimate your tax liability accordingly. Please consult an accountant or other tax professional to provide you with an accurate estimate of your upcoming Georgia income tax liability.

Can I reduce my Georgia income tax withholdings so that I can recoup my funds earlier than I would at tax filing time?

Yes. If you pay your Georgia income taxes by having an amount withheld each pay period from your paycheck, by reducing the amount of Georgia income tax that is withheld from your paycheck each pay period, you can recoup your contribution to Arete Scholars evenly over the remainder of the tax year. The portion by which you should reduce your withholdings is the amount of your contribution to Arete Scholars divided by the remaining pay periods in the year. This results in greater take-home pay throughout the year, as opposed to a potential refund at tax filing time.

For example: If you are paid twice per month and contribute \$1,200 to Arete Scholars in mid-March 2024, and you adjust your Georgia income tax withholdings in time to take effect for your March 31st paycheck, as of March 31st, there are 19 pay periods remaining for the year. You could reduce your withholdings by \$63.16 per pay period, which is \$1,200 divided by the 19 remaining pay periods for 2024. The additional amount of "take home pay" will total \$1,200 by the end of 2024.



Will donating under the tax credit program increase my risk of an audit?

No. The credit is pre-approved by the state of Georgia before being applied to your state income tax liability and is treated like an additional tax withholding. Arete Scholars is in regular contact with the Georgia Department of Revenue and works closely with officials to ensure the smooth, fair administration of this important program—including for donors.

What if I pay quarterly estimated taxes?

If you pay your current year's Georgia income taxes on a quarterly basis, in four equal installments, due on April 15, June 15, September 15, and January 15 (of the following year), you can reduce a portion of each quarterly estimated income tax payment if you contribute to Arete Scholars for a tax credit within the same year.

To determine the amount by which you can reduce each quarterly estimated income tax payment, divide by four the total amount that you contributed to Arete Scholars for the year and reduce each quarterly estimated tax payment accordingly.

As always, please consult your accountant or tax professional for detailed guidance.

May I paper file my taxes and claim this credit?

No, as this credit (along with all Series 100 credits in Georgia) may only be claimed if you file your taxes electronically.

What forms of payment does Arete Scholars accept for donations?

Arete accepts checks and credit card payments. Please note that when using a credit card, you will receive the opportunity to assist with the cost of the credit card transaction fee so that 100% of your donation will go to scholarship and you will be helping Arete defray the costs of accepting credit cards.



Are there any restrictions on who can contribute toward scholarships under this program?

There are no age restrictions on who can participate in this program. As long as you pay state taxes, you can redirect your Georgia income taxes to Arete Scholars.

How long does it usually take to receive pre-approval from the Department of Revenue for my contribution?

Under the law, the Department of Revenue has 30 days to pre-approve your contribution. As a result of recent automation, the DOR currently provides pre-approval within approximately two weeks.

Does the tuition tax credit scholarship program take money from public schools?

No! This program is entirely separate from Georgia's K-12 education budget. Georgia is just one of more than 20 states with similar programs, all of which are designed to support students who need access to educational options not available in the public system.

Additionally, because most scholarship values are considerably lower than what it would cost to educate a student in the public system, the program typically saves the state money on a student-by-student basis. These savings can be reinvested in a variety of areas, including public education.

Are there any downsides for me or my company getting involved?

It is hard to see any. It is a budget-neutral transaction that can radically alter the lives of under-resourced children. Through this relatively simple step, corporations make a lasting, tangible difference in the lives of low-income families, help break generational cycles of poverty, and give thousands of children a brighter future.

Where can I learn more about Arete Scholars?

To learn more about Arete Scholars visit www.aretescholars.org